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DOS review(s) completed.

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SUMMARY

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3. Mossadeq prepares public statement on breakdown of oil negotiations:

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On 17 March Prime Minister Mossadeq sent Ambassador Henderson the text of the speech, scheduled to be delivered on 20 March, in which he will announce the breakdown in the British-Iranian oil talks.

In the speech Mossadeq reiterates that Iran can never pay the Anglo-Iranian Oil Company compensation for loss of future profits: to do so would violate the principle of nationalization. A settlement has not been reached, he will claim, because the British expected Iranian traitors to install a government favorable to Britain.

Mossadeq plans also to state that he will negotiate at any time that Britain is ready to consider Iran's rights. The Iranian Government is willing to reserve 25 percent of its net oil revenues to pay compensation for the oil installations and to submit to adjudication by the International Court, providing prior agreement is reached on the basis for making claims. Alternatively, Iran is prepared to enter into direct negotiations with Britain.

Comment: Mossadeq's lengthy and somewhat contradictory speech, which includes distortions and recriminations, offers no prospects for a settlement. While he leaves the door open for a renewal of oil talks, he has not altered his basic position.

Resumption of oil talks under Mossadeq's conditions would require Britain to abandon a point which it feels is

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fundamental for safeguarding international business interests-- compensation for loss of expected profits during the balance of a cancelled concession.

The proposed speech exhibits unusual restraint toward the United States, despite recent indications of increasing antagonism. He apparently continues to hope for American aid.

WESTERN EUROPE

4. Austrian Chancellor may give up attempt to form government:

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The American Embassy in Austria reports that negotiations between the Socialists and the People's Party for the formation of a government are approaching a critical stage.

Unless Chancellor Figl is able to form a government this week, he may give up the attempt.

People's Party leaders state that if an agreement cannot be reached with the Socialists, the People's Party will probably attempt to form a temporary minority government pending new elections.

Comment: It is doubtful that the People's Party could form a minority government at this time, since it would need the support of the Union of Independents, which is far from united on current People's Party policies.

5. Atlantic Community as alternative to EDC seen gaining support in Belgium:

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Ambassador Cowen reports that some prominent Belgian political leaders who doubt that France will ratify the EDC

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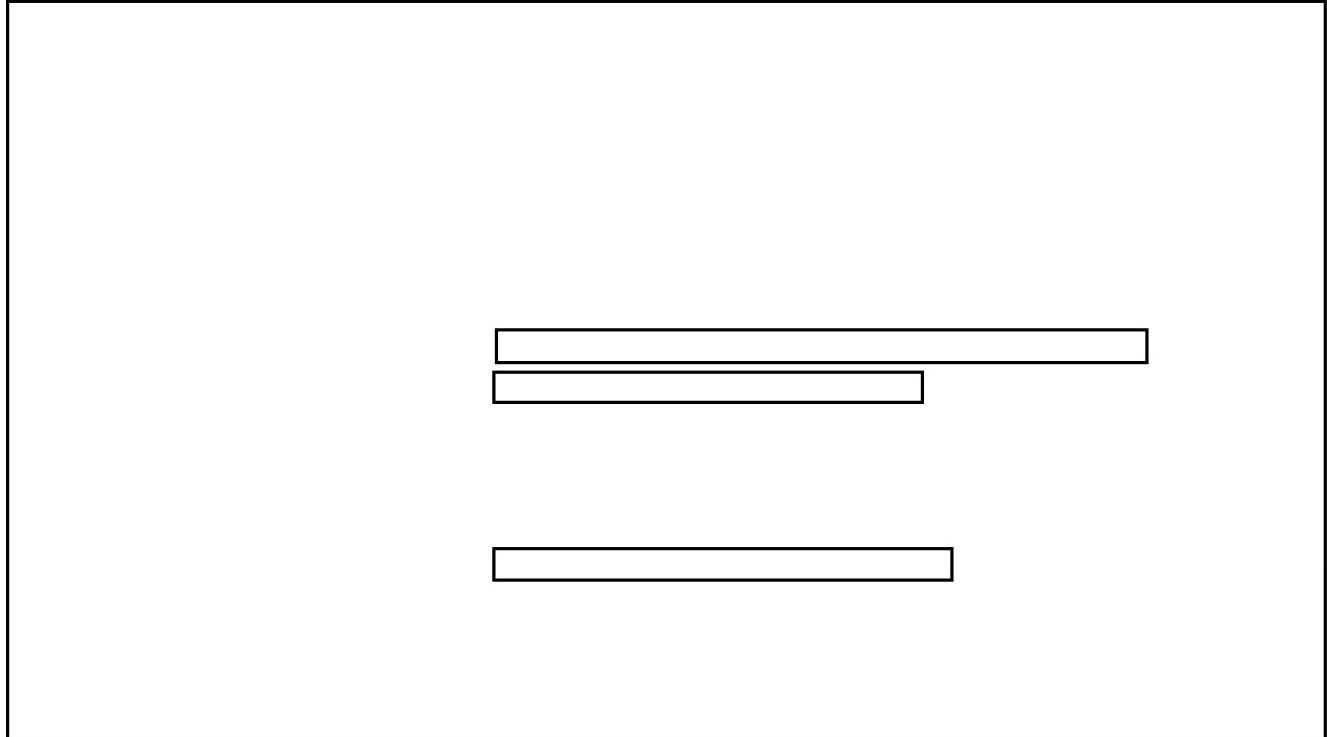
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Treaty are insisting on a broader union based on the Atlantic Community instead of the proposed European defense and political communities. Such views will gain increasing support the longer French ratification is delayed.

Comment: The idea of a confederation to include most of the Atlantic nations, which was sidetracked when the European Defense Community scheme came to the forefront, is apparently receiving renewed consideration both on the Continent and in Britain as an alternative in the event the EDC Treaty is not ratified.

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